

Message Text

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PAGE 01 ROME 06365 061845Z
ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-08
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FM AMEMBASSY ROME
TO SECSTATE WASHDC 1892
TREASURY DEPARTMENT WASHDC
INFO AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMCONSUL FLORENCE
AMEMBASSY THE HAGUE
AOMCONSUL GENOA 2375
AMEMBASSY LONDON
AMCONSUL MILAN
AMCONSUL NAPLES
USMISSION NATO
AMEBASSY OTTAWA
AMCONSUL PALERMO
AMEMBASSY PARIS
AMEMBASSY STOCKHOLM
AMEMBASSY TOKYO
AMCONSUL TRIESTE
AMCONSUL TURIN

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E.O. 11652 N/A
TAGS: EFIN, IT
SUBJ: REVISED FORECAST FOR 1978 WITH OFFICIAL 1977 DATA

REF: A) ROME 5839, B) ROME 5959
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PAGE 02 ROME 06365 061845Z

1. PRELIMINARY OFFICIAL DATA ON PERFORMANCE OF ITALIAN
ECONOMY IN 1977 WAS RELEASED MARCH 31, AFTER WE CABLED
OUR SUMMMARY FORECAST FOR 1978. OFFICIAL DATA ON GDP
SUBSTANTIALLY REVISE PRELIMINARY FIGURES FOR FIRST
THREE QUARTERS, THUS CHANGING BASE OF OUR FORECAST,
IN SOME CASES SIGNIFICANTLY. IN PARTICULARLY, OFFICIAL

DATA (WHICH IS REVISED BACK TO 1974) SHOW MUCH GREATER DROP IN INVESTMENT OVER LONGER PERIOD OF TIME THAN PREVIOUSLY INDICATED. THIS REINFOCES OUR ESTIMATE OF STAGNANT INVESTMENT FOR 1978, BUT AT A LOWER ABSOLUTE LEVEL THAN ORIGINALLY PREDICTED. ANNUAL DATA FOR PRIVATE CONSUMPTION (NO QUARTERLY DATA IS AVAILABLE) FOR 1977 SHOW MORE BUYANCY THAN WE HAD ANTICIPATED LEADING US TO REVISE UPWARD OUR EXPECTATIONS FOR 1978. AND FINALLY, QUARTERLY DATA ON VALUE ADDED OUTPUT OF THE INDUSTRIAL SECTOR FOR 1977 WAS REVISED UPWARD, GIVING US A SLIGHTLY HIGHER BASE FROM WHICH 1978 OUTPUT WILL BE MEASURED. IN BRIEF, OUR ASSUMPTIONS REMAIN ESSENTIALLY UNCHANGED BUT ARE PROJECTED OFF OF A REVISED 1977 BASE.

2. PRELIMINARY OFFICIAL DATA ON THE 1977 CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS RELEASED MARCH 31 ALSO DIFFERED FROM EMBASSY ESTIMATE AS OF MARCH 29: OFFICIAL DATA SHOW SLIGHTLY HIGHER IMPORTS, F.O.B. AND A SUBSTANTIALLY GREATER OUTFLOW ON PUBLIC UNILATERAL TRANSFERS; SOME SERVICES ALSO DIFFERED FROM EMBASSY ESTIMATE BUT DIFFERENCES LARGELY CANCELLED IN OVERALL SERVICES ACCOUNT. CHANGES IN 1977 DATA CAUSED DOWNWARD REVISION OF 1978 FORECAST OF CURRENT BALANCE.

3. TABLE 1 SETS OUT OFFICIAL DATA FOR GDP FOR 1977 IN 1970 LIRE AND EMBASSY REVISED PROJECTIONS OF GDP FOR LIMITED OFFICIAL USE

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PAGE 03 ROME 06365 061845Z

1978 BY HALF YEAR. TABLE 2 GIVES PRELIMINARY OFFICIAL BALANCE OF PAYMENTS DATA FOR 1977 AND EMBASSY PROJECTION FOR 1978.

BALANCE OF PAYMENTS DATA FOR 1977 AND EMBASSY PROJECTION FOR 1978.

TABLE 1
(BILLIONS OF 1970 LIRE)

	II 1977 YEAR	I 1978 YEAR	PCT CHANGE
	-----	-----	-----
GDP	34,793	70,226 35,568 36,425	71,993 2.5
PRIV.			
CONS.	22,764E	45,714 23,075 23,350	46,425 1.8
PUB.			
CONS.	4,639E	9,401 4,825 4,900	9,725 3.4
INVEST.	5,806	11,938 5,850 5,938	11,788 1.3

CONST. 3,300 6,663 3,315 3,338 6,653 0.2

PLST. EQUIP.

& TRANS. 2,506 5,275 2,535 2,600 5,135 2.7

E EQUALS ESTIMATES

TABLE 2
BALANCE OF PAYMENTS
(MILLIONS OF DOLLARS)

ACTUAL	FORECAST
1977	1978
YEAR	YEAR

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PAGE 04 ROME 06365 061845Z

EXPORTS (FOB)	44,548	49,876
IMPORTS (FOB)	44,411	49,247
TRADE BLANACE		
	136	629

SERVICES

TRANS/	1,629	1,345
INSURANCE		
	-743	-1,300

TRAVEL	3,854	3,800
INVEST. INCOME	-1,107	-1,000
GOVT. SERVICES	-265	-275
LABOR INCOME	761	920
OTHER	-870	-800

GOODS & SERVICES	1,765	1,974
UNILATERAL TRANSFERS	341	330

PRIVATE	936	930
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PUBLIC	-596	-600
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CURRENT ACCOUNT	2,106	2,304HOMLMES
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